

MARKET ANALYSIS - August 15, 2002

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Everybody in the business of producing commodities understands that revenue is basically made up of two things – prices and yields. While prices have been heading northwards all week, yields have been falling. Nearby corn futures rose nearly 25 cents over the week, soybeans 42 cents, and wheat about 10 cents. Meanwhile the yield picture both nationwide and locally is dismal. Projected grain yield for Maryland is at 89 bushels per acre, down 49 bushels from last year, while soybeans are forecast to be 31 bushels per acre, down from 39 bushels. Does the rise in one offset the fall of the other in terms of revenue? It depends. Most producers would rather take a higher yield with lower prices than the other way around. High prices can convince buyers to look for substitute products (especially in the livestock and poultry industry). However at least prices and yields are not both heading south! So why did we see the huge price increase over the last week? It all stems from the USDA report released last Monday. The USDA cut this year’s crop size by much more than analysts had expected. Corn stocks were put at 767 million bushels, well below the 990 million bushel estimate, and soybeans came in at 155 million, below the 210 million bushel estimate. Wheat traders also got giddy due to the spillover pressure from the neighboring pits and global production declines in that sector also exacerbated the upward trajectory. In the corn market, traders are starting to recall the 1995 bull year and are beginning to make comparisons. A September report that shows further declines surely would put them pretty close to one another in terms of pricing. Of course moisture is the key factor now. However, at this stage of the game it may be a little late to even think about yield improvements. By the end of the week, more supportive news arrived from the export market with export sales totals for corn, soybeans and wheat blowing the lid off estimates. The USDA reported sales of wheat of almost 635,000 metric tons (going mainly to Japan and Mexico), corn sales of 808,000 metric tons (old) and 488,000 metric tons (new) (going mainly to Japan and Egypt) and soybean sales of 58,000 metric tons for old crop and 447,000 new crop, (going mainly to Mexico, China, and yes, you guessed it, Japan). So, with huge price increases and low yields what should one do from a marketing perspective? Can’t do much about yields and it is hard to imagine a turnaround in yield forecasts, so prices might stay put or even move higher. If you have the crop, keep hedging (with options), and given that had a drought in 1998, another in 2002 – start thinking about crop insurance!

BASIS TABLE

LOCATION	CORN BASIS		SOYBEAN BASIS		WHEAT BASIS	
	CASH (Sep02)	NEW (Dec02)	CASH (Sep02)	NEW(Nov02)	CASH(Sep02)	NEW(Jul03)
Baltimore	n/a	n/a	-\$.22	-\$.30	n/a	n/a
Western MD	+.07	n/a	-\$.38	n/a	-\$.42	n/a
Central MD	+.16	+.10	-\$.41	-\$.30	-\$.10	-\$.25
Southern MD	+.10	Even	-\$.05	-\$.25	-\$.26	-\$.30
Upper E. Sh	+.18	+.10	-\$.07	-\$.22	-\$.25	-\$.25
Lower E. Sh	+.33	+.22	-\$.09	-\$.10	-\$.23	-\$.24

WEEEEKLY CROP WEATHER SUMMARY

MARYLAND AGRICULTIURAL STATISTICS

Dry weather trend across Maryland has stunted the corn crop, and damage to soybeans is accumulating. The condition of the **soybean** crop is declining with 11 percent rated in good condition, 24 percent fair, 34 percent poor, and 31 percent rated very poor. Sixty-five percent of soybeans are rated poor to very poor, 15 percent more than previous week, and 22 percent more than two weeks ago. Full season soybeans appear to be in better condition than double cropped beans. Soybean growth is ahead of schedule with 77 percent **bloomed**, 22 percent ahead of last year, and 17 percent ahead of the five year average. Fifty-eight percent are **setting pods**, 21 percent more than last year, and 17 percent ahead of the average. Soil moisture continues to dwindle, **topsoil** moisture rated 9 percent adequate, 46 percent short, and 45 percent very short. **Subsoil** is rated 9 percent in adequate supply, 28 percent short, and 63 percent very short.

CASH GRAINS - REGIONAL - (\$/bu) DEALERS AVERAGE CASH QUOTES

Grade and Commodity	#2 Y. Shelled Corn		#2 Yellow Soybeans		#2 Red Winter Wheat		#3 Barley	
	08/07	08/14	08/07	08/14	08/07	08/14	08/07	08/14
Baltimore	----	----	5.39	5.80	----	----	----	----
Western Md	2.69	2.80	5.23	5.64	3.05	3.15	1.41	1.45
Central MD	2.73	2.89	5.33	5.61	3.26	3.42	1.48	1.45
Southern MD	2.47	2.83	5.56	5.97	3.20	3.31	1.15	1.15
Upper E. Sh	2.63	2.91	5.56	5.95	3.21	3.32	1.30	1.30
Lower E. Sh	2.81	3.06	5.68	5.93	3.22	3.34	1.32	1.30
Soybean Meal Lower Eastern Shore Dealer's Average Cash Quotes (\$/ton)								
Date	08/07	08/14	Date	08/07	08/14			
48% Soybean Meal	217.00	226.00	44% Soybean Meal	207.00	214.00			

FORWARD CONTRACT PRICE-REGIONAL (\$/bu) For Harvest delivery Dealer's Avg Quotes

Grade and Commodity	#2 Y. Shelled Corn		#2 Yellow Soybeans		#2 Red Winter Wheat		#3 Barley	
	08/07	08/14	08/07	08/14	08/07	08/14	08/07	08/14
Baltimore	—	----	5.03	5.42	----	----	----	----
Western Md	----	----	----	----	----	----	----	----
Central MD	2.63	2.95	4.96	5.42	3.15	3.20	----	----
Southern MD	2.60	2.85	5.06	5.47	3.08	3.15	----	----
Upper E Shore	2.68	2.95	5.06	5.50	3.13	3.20	----	----
Lower E Shore	2.79	3.07	5.14	5.62	3.12	3.21	----	----

GRAIN FUTURES - Chicago Board of Trade (cents\$/bu) - Aug 14, 2002

Corn		Soybeans		Wheat		Soybean Meal ¹	
Sept	273.00	Aug	602.00	Sept	357.00	Aug	194.50
Dec	284.75	Sept	594.00	Dec	369.00	Sept	191.00
Mr-03	289.00	Nov	571.75	Mr-03	376.75	Oct	183.70
May	289.75	Jan-03	570.25	May	369.00	Dec	182.10
Jul	288.75	Mar	569.25	Jul	344.75	Jan-03	180.30
Sept	269.00	May	561.50			Mar	178.20

¹ \$/ton

HAY AND STRAW (\$/cwt)							
New Holland, PA - Aug 12, 2002 - \$/ton - 91 Loads							
Alfalfa 55.00-180.00		Timothy 90.00-200.00		Mixed 70.00-200.00		Straw 60.00-105.00	
Orchardgrass 62.00-165.00		Ear Corn 92.00-100.00					
Westminster, MD - \$/bale -Aug 14, 2002 - 146 lots							
Alfalfa 2.50-4.90		Alfalfa-Lrg Rd 19.00-25.00		Timothy 1.75-4.95		Timothy-Lrg Rd 21.00-30.00	
Mixed 1.70-5.00		Straw 1.00-2.60		Grass 1.60-1.90		Grass-Lrg Rd 19.00-27.00	
POULTRY (Grade A) - Week Ending Aug 17, 2002 Negotiated Price, cents/lbs							
		<u>Current Week</u>		<u>Week Ago</u>		<u>Month Ago</u>	
				<u>Year Ago</u>			
NY Wtd Avg. (Fryers)		47.30		47.08		51.00	
12-City Composite		55.51		55.55		57.29	
59.85							
LAMBS - Westminster, MD - \$/cwt - Aug 13, 2002							
Ch		70-120 lbs 64.00-76.00		Sheep 35 Hd		25.00-41.00	
40-70 lbs		75.00-83.00					
TERMINAL MARKET HOGS-Aug 15, 2002				DIRECT MARKET HOGS - Westminster, MD - Aug 13, 2002			
<u>Base Price Range (\$/cwt)</u>		<u>Carcass Basis</u>		<u>Sows (1-3)</u>		1&2 220-270 lbs 29.00-30.00	
<u>a.m.</u>		<u>Base 185 lb Hog</u>		<u>300-449 lbs</u>		1&3 27.00-28.50	
Eastern Cornbelt		41.75-48.57		20.83-25.71		2&3 270-290 lbs 22.00-26.00	
Iowa, Minn		44.52-51.10		18.21-26.00		Millsboro, DE Market Hogs - \$/cwt - Next Sale - 8/20	
FEEDER PIGS - (\$/cwt)							
Gumboro, DE -				New Holland, PA - Aug 14, 2002			
Head:		Trend:		Head: 320		Trend: \$10-20 - higher - 46% sold	
Next Sale 8/19/02				30-40 lbs		32.00-52.00	
LIVE CATTLE FUTURES - Chicago Mercantile Exchange- (\$ cwt.) - Aug 07, 2002				HOG FUTURES - Chicago Mercantile Exchange - (\$ cwt.) - Aug 07, 2002			
Aug		65.57		Fb03		71.70	
Oct		68.67		Apr		72.20	
Dec		70.62		Jun		67.47	
Aug		48.25		Fb03		44.95	
Oct		37.10		Apr		50.35	
Dec		36.95		Jun		59.30	
STOCKER-FEEDER CATTLE - (\$/cwt)							
Winchester, VA - Aug 12, 2002				Westminster, MD - Aug 13, 2002			
Steers		300- 400 lbs 90.00-98.50		Steers		200- 400 lbs 69.00- 78.00	
		400- 500 lbs 79.50-86.00				400- 600 lbs 65.00- 74.00	
		500- 600 lbs 73.50-85.50				1050-1150 lbs 64.00- 65.00	
		600- 700 lbs 72.00-74.50		Heifers		300- 500 lbs 67.00- 75.00	
		700- 800 lbs 65.00-68.50				500- 700 lbs 55.00- 66.00	
Heifers		300- 400 lbs 82.00-87.00				700- 950 lbs 55.00- 59.00	
		400- 500 lbs 69.00-76.50		Hols Bulls #1		95- 120 lbs 110.00-121.00	
		500- 600 lbs 68.00-72.50		#2		75.00- 99.00	
		600- 700 lbs 65.00-70.00				82- 94 lbs 50.00- 70.00	
				Hols Heifers #1		80- 110 lbs 425.00-515.00	
				#2		200.00-400.00	
				Jersey		60- 90 lbs 100.00-130.00	
Lancaster, New Holland & Vintage - Week Ending - Aug 17, 2002							
Bull, Holstein		95-125 lbs 117.00-133.00		Plainer		90-115 lbs 40.00-119.00	
Heifers, Hols.		90-125 lbs 400.00-530.00		Plainer		80-115 lbs 150.00-500.00	
SLAUGHTER CATTLE (\$/cwt)							
Westminster, MD - Aug 14, 2002							
Fed Steers				Fed Heifers			
Ch		1200-1450 lbs 62.00-64.25		L-Ch		1200-1400 lbs 59.75-60.74	
3 Hg Dressing		66.00-68.25					
Ch		59.00-62.00		Veal Calves			
H-Ch-P Hols		1500-1750 lbs 52.00-54.00		Good		80- 110 lbs 32.00-44.00	
Cows							
Breakers		39.00-43.75					
Boners		36.00-41.00					
Lean		31.00-36.00					
Thin		31.00-DOWN					
Lancaster, New Holland & Vintage - Week Ending - Aug 17, 2002							
Steers, Choice 2-3		1110-1470 lbs 62.75- 66.50		Mostly \$1 - \$2 , instances \$2.50 higher			
Heifers, Choice 2-3		1025-1360 lbs 62.00- 64.10		Steady to firm early; late sales not well tested			
Cows, Breakers 75-80 pct lean		41.00- 46.75		Steady - firm			
Bullocks, Choice 2-3, few		1210-1370 lbs 60.00- 61.75		n/a			
Bulls, YG-1, few		1240-1890 lbs 51.50- 55.75		Mostly steady			
Vealer, Standard & Good		80- 125 lbs 30.00- 55.00		\$5-\$10 lower			
Calves, Good & Choice		210 lbs 82.00-105.00					

For more information about this report, call 410-841-5740 or write:

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